



# Committee On Finance

**Max Baucus, Ranking Member**

---

## **NEWS RELEASE**

<http://finance.senate.gov>

For Immediate Release  
Tuesday, July 13, 2004

Contact: Tim Punke  
202-224-4515

### **Looking Forward on Trade – The Agenda for 2005 Remarks by U.S. Senator Max Baucus to the Global Business Dialogue**

#### **Introduction**

We are two years into the Trade Act of 2002 – and only a year away from a possible vote on extending fast track. On Capitol Hill, the next year will be a time when legislators start to take a hard look at how fast track has worked.

Today, I want to start that conversation. We can evaluate fast track looking at a number of issues – all of which were raised in the debate on the Trade Act.

First – substance. Are we properly addressing the controversial issues that were raised during the fast track debate?

Second – process. This includes consultations, transparency, and the fast track process itself. How have we done?

Third – jobs. At its core, trade is about jobs. So, does our trade policy emphasize the creation of new jobs? Are we using trade to improve America's long-term competitiveness and address the concerns raised by offshoring?

#### **Central American Free Trade Agreement (CAFTA)**

Let me start with the substance of trade agreements. You had asked me to focus my remarks today on the U.S.-Central American Free Trade Agreement (CAFTA). CAFTA provides a useful prism through which to view the debate over some of the most controversial issues in trade, including how we address labor and environment issues.

Now, the negotiations for CAFTA have been complete for months. Yet Congress will not vote on CAFTA anytime soon. The administration simply doesn't have the votes.

That leaves two choices: Change the agreement to make it more acceptable to Congress. Or wait out the election. It appears they took the second choice.

This state of affairs on CAFTA is symptomatic of an unfortunate attitude toward trade agreements today. Too often, this administration plays trade bills like a numbers game – do the absolute minimum to win by one vote. Maybe that will work again with CAFTA after the election. But it would not bode well for future agreements or for fast track.

What we should be doing is continuing the work of rebuilding the consensus on trade. As Chairman of the Finance Committee in the last Congress, I worked hard to resolve difficult issues that had stymied our trade policy for years. That work resulted in the passage – after an 8-year hiatus – of the Trade Act of 2002 and fast track trade negotiating authority.

With fast track in place, we started out on the right foot. This administration followed through on the negotiations begun by the Clinton Administration with Singapore and Chile. Those two free trade agreements received broad support in both Houses of Congress. Our experience last year with Singapore and Chile shows that we can have trade agreements that win broad Congressional and public support. But that does not appear to be the model this administration wants to pursue with CAFTA.

I hope that I am wrong. Because it is possible to craft a CAFTA package that would pass with support comparable to what Singapore and Chile received. Then we could all proceed much more confidently on the path of trade liberalization. How do we find the right path? We can have a better dialogue on CAFTA – as well as other upcoming agreements – if we adhere to a couple of principles.

### **Keep Seeking Consensus on Environment and Labor**

First, we need to resume the dialogue on environment and labor in trade agreements. These have been contentious issues for more than a decade. We made significant progress toward a new consensus in the Trade Act of 2002. That Act made it clear that substantive provisions on environment and labor do belong in trade agreements.

As a result, all of the new free trade agreements completed this year include enforceable environment and labor obligations. And there is no going back. But the administration has shown little interest in going forward either.

For most issues – market access, intellectual property, government procurement – the United States works to improve on past agreements. The sky is the limit.

Except for environment and labor. There, the Bush Administration has opposed stronger commitments – even when our negotiating partners are willing to accept more. I can't tell you how many times I have heard United States Trade Representative (USTR) officials tell me that the Singapore and Chile texts on environment and labor are non-negotiable. Set in stone.

This is a recipe for disaster. We need to debate these issues. Bring out new ideas. Continue to work toward greater consensus. Because if we stop talking about how to handle environment and labor, then we will soon reach another impasse. It will hold up the whole trade agenda.

Does that mean we have to bring each trading partner up to American environmental and labor standards the day an agreement goes into effect? No. But it does mean we need to look for ways to help our trading partners improve environment and labor standards where they need improving.

That is why I have pushed so hard for improvements to the environmental provisions of CAFTA. At my insistence, those provisions include a new citizen submission process. The process allows individuals to challenge the failure of CAFTA Governments to enforce their own environmental laws.

The CAFTA citizen submission process is stronger than anything that we have tried before. It will help foster transparency and build civil society in Central America. And I can't

think of a single vote in Congress that will be lost because we went beyond the Chile/Singapore model. We need more creative thinking. A sense of forward momentum here can really make a difference in Congress – for CAFTA and future agreements.

### **Get Serious About Capacity Building**

But rethinking how we write environment and labor chapters is just the start. We can also help our trade partners improve through capacity building and cooperation.

This is not new. President Clinton's North American Free Trade Agreement (NAFTA) package included labor and environment cooperation provisions. So did last year's agreement with Chile.

I believe that a program of capacity building and cooperation projects can help improve environmental and worker protections in Central America. But I think we need to build on past experience and do it better. To its credit, the Bush Administration says it wants to do more.

Last October I put out a white paper on addressing environmental issues in CAFTA. Along with Ambassador Zoellick, the CAFTA governments, and others, I have conducted a continuing dialogue on this proposal. I think an effective capacity building and cooperation program in CAFTA must include four key features.

First, long-term planning. Instead of piecemeal projects off a wish list, we should be encouraging Central American governments to plan for progressive environmental improvements over many years.

Second, there should be benchmarks – ways to measure progress over time.

Third, objective monitoring. There is too much mutual distrust among stakeholders. To overcome that distrust, we need to open the capacity building and cooperation work of CAFTA to the broadest possible public scrutiny.

Finally, dedicated funding. As part of the implementing package for CAFTA, we should provide adequate funding independent of annual appropriations.

So that is my second prescription: Get serious about capacity building. We will never know if a cooperative approach can really work if the cooperation program itself is not well-thought-out, well-funded, and subject to intense public scrutiny. And while my focus has been on environment, that doesn't mean we can neglect capacity building for labor rights. They both matter a lot.

### **Pay Attention to Process**

While most of the debate on trade tends to focus on substance, process sometimes matters even more. The fact is, the time we spend in Congress reviewing trade agreements and crafting implementing legislation is shrinking with each new agreement. So is the number of people who participate meaningfully in the process.

None of the recent agreements – Singapore and Chile last year, Australia and Morocco this year – has been as complicated as NAFTA. So you wouldn't expect the process to take as long.

But some in the administration and Congress are getting overconfident. They seem to think that if all goes smoothly one time, we can cut corners the next. I expect the Congressional

process for implementing CAFTA to be more complicated than it was for the last few agreements.

More Senators may offer amendments at the informal markup. We may even need an informal conference with the House – as happened for NAFTA and other trade agreements. Rather than resenting these complications, we should embrace them. They show that the fast-track process is working.

Of course, more than CAFTA is at stake. The CAFTA debate will set the tone for future trade agreements in Congress. More regional and bilateral agreements will come up, as will the results of the World Trade Organization (WTO) Doha Round and the Free Trade Area of the Americas (FTAA).

Before any of this can happen, fast track itself must be extended next year. This could be nearly automatic – a non-event. Or it could be a long, divisive debate. To a large extent, what happens on fast track extension depends on how well Members of Congress believe the process is working.

### **Back to Economics**

The last thing we need to do is focus more on trade agreements and trade policies that give Americans what they want – jobs. We do that three ways.

First, we should be negotiating with countries that present the greatest market opportunities. Frankly, some of the current negotiations offer little in the way of commercial benefits. Some of our agreements seem motivated mainly by abstract foreign policy concerns.

That's ironic, when you consider the trouble this administration's divisive foreign policy has created for American companies trying to do business abroad.

Trade negotiations take time and resources. Both are limited. The negotiations on which we spend the most time and resources should be the ones that matter the most. The WTO talks come to mind. So do potential agreements with large emerging markets in Asia.

Next, as we look for new negotiating partners, we need to keep in mind the interests of the American agriculture community. Our agricultural producers have always been the bedrock of support for open trade.

In the last few years, however, they are starting to have doubts. Farmers, ranchers, and rural communities need to see concrete benefits from trade. This factor, too, points us toward larger markets.

Third, we need to work harder on enforcing the trade agreements we already have. Negotiating new trade agreements is not the only way to get market access. Sometimes we can gain more from taking enforcement actions.

During my visit to China last March, I urged Chinese leaders to eliminate their policy of discrimination in favor of domestic semiconductor companies. Just last week, a settlement was announced. The positive outcome of this WTO case tells me that the United States should be bringing more WTO cases.

On average, the Clinton Administration brought more trade enforcement cases to the WTO each year than the Bush Administration has brought in more than three years in office. We need to reverse this trend.

One place to start is intellectual property. We can't spur innovation and create jobs at home if we let people steal these important assets. Yet we sat by while American producers lost

\$13 billion in software sales to piracy in 2002 – an amount far greater than the estimated market benefits from most pending trade agreements.

We need to reassess our priorities. That is why I recently requested that the GAO conduct a review of how we enforce more than 250 trade agreements that the United States currently has on the books. This study will be completed in early 2005. It will help Congress and the administration better assess how well we do at enforcing trade agreements and how to allocate our resources to achieve the best results.

### **Conclusion**

American workers need good jobs. American farmers need new markets. American businesses need a trading system where rules are respected. The right trade policy – one that focuses on those goals – will sell itself in Congress. We have our work cut out for us. But by following some simple rules in the coming year, I think we can continue to rebuild the consensus on trade.

###